

AR79



Elks

Elks Stores Limited ANNUAL REPORT



FINANCIAL HIGHLIGHTS

FISCAL YEAR ENDED JANUARY 27, 1973

OPERATIONS	1973*	1972	Increase over 1972
SALES	\$11,981,794	\$9,263,145	29.3%
INCOME BEFORE DEPRECIATION INTEREST AND INCOME TAX	1,274,364	854,635	49.1%
NET INCOME	534,714	353,638	51.2%
EARNINGS PER SHARE**	\$0.90	\$0.65	38.5%
CASH FLOW FROM OPERATIONS	750,553	506,117	48.3%
CASH FLOW PER SHARE**	\$1.26	\$0.93	35.5%
PERCENTAGE NET INCOME TO SALES	4.5%	3.8%	18.4%
Financial Position			
WORKING CAPITAL(Deficiency)	1,663,602	(188,459)	
SHAREHOLDERS' EQUITY	2,471,059	779,371	

*Includes eight months operations of Joe Feller Limited

**Based on the weighted average number of shares outstanding during the respective fiscal years

Head Office Elks Stores Limited, 1198B Caledonia Road, Toronto, Ontario M6A 2W5

Transfer Agents United Trust Company

Auditors Laventhal Krekstein Horwath & Horwath

Legal Counsel Goodman & Goodman

PRESIDENT'S MESSAGE



This is the first Annual Report of Elks Stores Limited, as a public company. As such, I welcome this opportunity not only to present the financial performance of Elks Stores Limited during the fiscal year ended January 27, 1973, but also to acquaint shareholders with something of the history and evolution of the company. Our objective in this first report, therefore, is to increase your knowledge and awareness of our business, our people, our status as a competitor in the field of retail fashion clothing for men and boys, and your management's concept of the company's direction in the future.

The detailed financial performance of Elks Stores Limited is fully documented in the financial section of this report. It is, of course, particularly gratifying that our first report as a public company should show a substantial improvement in profits. This result also indicates the continued consumer acceptance of quality and value which have been the hallmarks of our company's growth over 45 years.

However, the real significance of fiscal 1973 lies principally in three areas: The public offering of shares in the company. Overall consolidation, particularly of our management group. The purchase of Joe Feller Limited. It should be noted that the company's performance in fiscal 1973 does not reflect the results of the injection of capital from the public stock offering, which occurred only in late October. Rather, the impact of this capital is being felt in the current year, enabling us to continue our expansion program which includes 12 stores, six of which have been opened since February and six of which will be opened before fall of 1973. This capital also permits us to take advantage of all available discounts in our buying and to improve our overall cash flow position.



MANUEL ELKIND



The most important factor in our overall consolidation during 1973 was the organization and seasoning of our management group to carry the company forward in a pattern of growth and profitability. Our centralized management base is one of mature executives in a carefully designed mix of age, expertise and experience, with appropriate incentives that will tangibly recognize their enthusiasm and dedication.

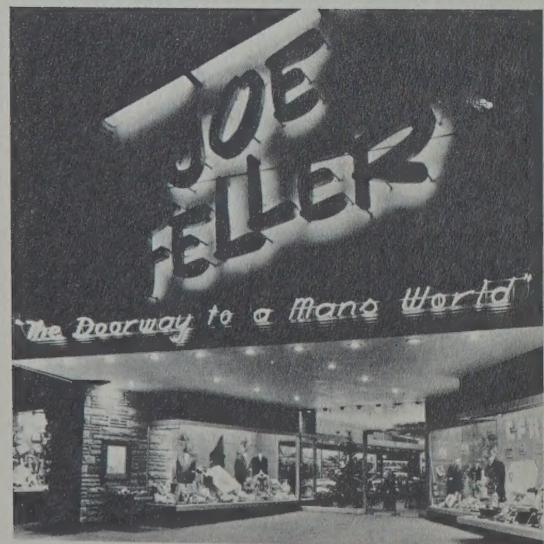
The recent relocation of our company's head office is also a form of consolidation, inasmuch as it provides the physical facilities that support our size and foreseeable growth. Within these new facilities is a carefully controlled operation, geared to the future.

The purchase of Joe Feller Limited represented our major expansion during fiscal 1973.

Elks Stores Limited specializes in men's and boy's fashions, within an industry that today flourishes on the growing interest that men of all ages have in dressing appropriately for business, leisure and sports. Stores operating under the name of *Elks* offer popular and medium priced fashion merchandise. Stores bearing the name *Joe Feller* are in the popular, medium and higher price range but particularly emphasize distinctive men's styling. *Hamptons* stores are stocked and located to appeal to the male customer seeking sophistication and quality in a higher price range. We are also in a position to meet the demand of the low income customer through a discounting outlet concept known as "*Harry No-Name*", which also caters to the special needs of big men's sizes. Thus, in terms of the range of merchandise offered in our stores and their geographic locations, the divisions of the company—Elks, Joe Feller Limited, Hamptons and Harry No-Name—provide the broadest possible exposure to the overall market.

Our size and centralized buying for all divisions ensures Elks Stores Limited of the best possible combination of quality and price. These factors contribute substantially to our competitiveness, and enable us to employ expertise both in purchasing and in fashion. To the extent that we

Elk's





influence men's fashions and enjoy great purchasing power, we are and have been making all possible early commitments with our suppliers to take advantage of current costs in our industry.

Significant, too, is the philosophy which has guided our growth since 1960. We have followed the trend toward suburban living and suburban shopping, convinced of the need for retail fashion men's wear stores that cater to this market. We are cognizant, however, of urban redevelopment and the opportunities for store locations which this trend provides.

While our principal market is Ontario, which will remain the focal point of our activities, we are moving beyond the borders of this province. Our activities in Quebec are discussed in the company's history. We are also in a position to take advantage of acquisition opportunities within the field in which our expertise is proven.

As a result of planned store openings, alone, before the fall of 1973, we anticipate an increase in sales volume of approximately 30%. With a management team geared to handle expansion and able to consolidate gains, proportionate improvement in profits can reasonably be anticipated.

At this writing, there are approximately 500 men and women employed by Elks Stores Limited. Our success to date is entirely due to their efforts. However, I wish particularly to acknowledge the dedication and loyalty of my associates in management during the most challenging year of our company's 45 year history. With this base of talent, enthusiasm and experience we approach our goals—with great confidence.

A handwritten signature in black ink, appearing to read "Manuel Elkind".

Manuel Elkind, President
and Chief Executive Officer



A BRIEF HISTORY



SAMUEL ELKIND



N 1928, Samuel Elkind Men's Wear opened on Queen Street, West, in downtown Toronto. In that year, its founder, Samuel Elkind, began what is now a chain of 48 retail fashion clothing stores for men with locations in Southern and Central Ontario and more recently in Quebec.

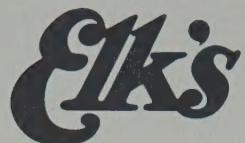
Following the opening of the first Elks store, which is still in operation, Samuel's younger brother, Morris, opened his own men's wear store in Toronto. During the depression years both brothers owned and operated their own stores and in partnership opened a number of other men's wear stores in Toronto, proving their unusual merchandising skills in the difficult economic climate of those years.

This partnership continued to flourish and in 1945 Samuel and Morris Elkind incorporated Silverthorne Men's Wear Limited. As a result of this incorporation, Samuel Elkind Men's Wear Limited was opened and became the central purchasing base for all other store locations. "Elks" became the trade name for all stores operated by the Elkind brothers. As a point of interest, the trade name "Elks" was suggested by Manuel Elkind, then in school, now president of the Elks organization.

There were seven Elks stores in operation in 1961 when Morris Elkind died and Samuel acquired his brother's interest. The business continued to expand and this period of growth marked the beginning of opening stores in large, new suburban shopping malls.

In part, emphasis on men's fashion stores in suburban shopping malls was the concept of Manuel Elkind, Samuel's oldest son, who had worked with his father since school days. With a complete background in all phases of men's wear, Manuel Elkind and his brother, David, incorporated Elks Men's Wear (Bayview) Limited and opened their first store in Bayview Shopping Centre, Willowdale.

Applying the experience and sense of business strategy gained from Samuel and Morris Elkind, the new company acquired the assets of a 10 store retail men's wear chain in Metropolitan Toronto. Convinced that suburban locale and stores geared to the younger man would be the key to future success, Manuel and his brother proceeded to relocate, remodel, restock and expand the newly-acquired stores.



Now the operations of the Elkins—father and sons—were growing and expanding to such areas as Guelph, Oakville and Brampton. However, there were three operating companies until 1968 when the family interests were combined to form Elks Department Stores Limited. At that time, the Elkins owned 23 stores. Since 1968 the number of stores has more than doubled, with expansion in Metropolitan Toronto as well as Sarnia, Windsor, London, Ottawa and Hamilton.

In 1971, Manuel Elkind purchased all of his brother David's interests and David Elkind ceased to be connected with the company.

Many of the new stores opened by Elks Stores Limited in the past few years have become specialized. For example, by opening Hampton's Men's Wear late in 1971, Elks for the first time operated a men's wear store exclusively carrying higher quality fashions for men. There are now two Hamptons and plans for a third in the current year. The first Hamptons was acquired in Don Mills Plaza, Toronto and the second is located on Richmond Street, often referred to as "a Men's Fashion Street", in the heart of downtown Toronto. This latter move is significant because it illustrates Elks interest not only in the suburban shopping trend but in the potential of urban redevelopment. The Company also operates a separate department within each Elks store which specializes in apparel for the youthful customer.

The Elks organization again took on new dimensions in 1972 when it expanded into the Ottawa market with the acquisition of Joe Feller Limited: two large fashion stores for men. The name—Joe Feller Limited—is well known in the Ottawa Valley area and enjoys an international fashion reputation. Mr. Feller is presently a fashion and merchandising consultant for Elks Stores Limited and the management team of Joe Feller Limited is headed by Mr. Abe Hochberg. Based upon the expertise of Joe Feller Limited in merchandising to the French speaking market, a third Joe Feller store was opened in Hull, Quebec in 1972. Three more Joe Feller stores are scheduled for opening in the current year, two in Quebec and one in Ottawa.

Elks

All indications are that calendar 1973 will be the biggest year of growth and expansion in Elks' 45 year history. Since February of 1973 six new stores have opened: one each in Toronto, London, Hamilton, Bramalea and two in Windsor. Elks is scheduled to open six additional stores by fall. These include the three new Joe Feller stores, a Hamptons in Burlington, and two Elks stores in Mississauga and Barrie, Ontario.

Elks, which has served Canadians for 45 years, is today a public company. In April of 1973, the Toronto Stock Exchange posted the common stock of Elks Stores Limited.



KEY MEMBERS OF MANAGEMENT/L-R (standing) Don Kohara, Youth Market Buyer Rick Gorus, Display Mgr., Jerry Baker, Gen. Mgr. Hamptons, Joe Clare, Gen. Mgr. Merchandising, Mike Fascinato, Head Buyer, Fred Duncan, Exec. Asst. to President, Dave Clark, Controller, Dick Prestage, Boy's Wear Buyer, Harry Tuckmeyer, Men's Furnishings & Accessories Buyer, (seated) Archie Sweett, Vice President, Operations, Manuel Elkind, President, Maurice Waxman, Sec'y. Treasurer.

Elk's



JOE THEISSMAN/Style & Sales Promotion Advisor



JOE FELLER/Fashion & Merchandising Consultant



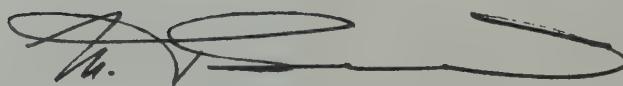
MIKE FASCINATO, JOE CLARE, HARRY TUCKMEYER/Fashion Buying

CONSOLIDATED BALANCE SHEET

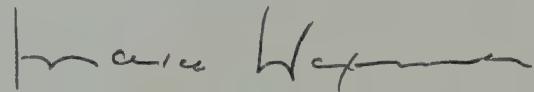
	January 27, 1973	January 29, 1972
Assets		
CURRENT:		
Cash	\$ 216,415	\$ 143,662
Accounts receivable, less allowance for doubtful accounts	830,453	234,045
Inventory, at the lower of cost and net realizable value	3,625,498	2,632,094
Prepaid expenses and sundry assets	176,833	207,395
	<u>4,849,199</u>	<u>3,217,196</u>
Property, equipment and leasehold improvements, at cost less accumulated depreciation and amortization (Note 2)	1,329,935	843,898
Other (Note 3)	—	207,763
	<u><u>\$ 6,179,134</u></u>	<u><u>\$4,268,857</u></u>

See accompanying notes.

On behalf of the Board:



(Director)



(Director)



	January 27, 1973	January 29, 1972
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Liabilities

CURRENT:

Bank loan (Note 9)	\$ 989,500	\$ 232,500
Accounts payable and accrued liabilities	1,741,085	2,736,798
Income taxes	294,178	377,357
Current portion of long-term debt	160,834	59,000
	<u>3,185,597</u>	<u>3,405,655</u>
Long-term debt (Note 4)	471,168	70,293
Deferred income taxes	51,310	13,538

Shareholders' Equity

Capital stock (Note 5)	1,322,350	6,300
Retained earnings	1,148,709	773,071
	<u>2,471,059</u>	<u>779,371</u>
	<u>\$ 6,179,134</u>	<u>\$4,268,857</u>

AUDITORS' REPORT

To the Shareholders of
Elks Stores Limited.

We have examined the consolidated balance sheet of Elks Stores Limited and its subsidiaries as at January 27, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 27, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
May 3, 1973.

LAVENTHOL KREKSTEIN HORWATH & HORWATH
Chartered Accountants.



ELKS STORES LIMITED AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS**

	YEAR ENDED	
	January 27, 1973	January 29, 1972
Sales	<u>\$11,981,794</u>	<u>\$9,263,145</u>
Expenses:		
Cost of sales and operating expenses	<u>10,707,430</u>	8,408,510
Depreciation and amortization	<u>178,067</u>	148,079
Interest on long-term debt	<u>32,843</u>	8,114
Other interest	<u>23,831</u>	24,604
	<u>10,942,171</u>	<u>8,589,307</u>
Income before income taxes	<u>1,039,623</u>	673,838
Income taxes	<u>504,909</u>	320,200
Net income	<u>534,714</u>	353,638
Retained earnings at beginning of year	<u>773,071</u>	419,433
	<u>1,307,785</u>	<u>773,071</u>
Expenses of issuing shares, less related income taxes of \$26,357	<u>27,887</u>	—
Net excess of cost of shares of subsidiaries over net book value at dates of acquisition and goodwill of predecessor companies and related costs (Note 3)	<u>131,189</u>	—
	<u>159,076</u>	—
Retained earnings at end of year	<u>\$ 1,148,709</u>	<u>\$ 773,071</u>
Earnings per share (Note 8)	<u>90¢</u>	<u>65¢</u>

See accompanying notes.



ELKS STORES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	YEAR ENDED	
	January 27, 1973	January 29, 1972

Source of funds:

Operations:		
Net income	\$ 534,714	\$ 353,638
Add charges to income not requiring a current outlay of funds:		
Depreciation and amortization	178,067	148,079
Deferred income taxes	37,772	4,400
	750,553	506,117
Decrease in advances to shareholders and affiliates	—	189,188
Issue of common shares	1,316,250	—
Increase (decrease) in long-term debt	400,875	(22,759)
Excess of net book value of Joe Feller Limited over cost of shares (Notes 1 and 3)	76,574	—
	2,544,252	672,546

Application of funds:

Redemption of preference shares	200	40,000
Purchase of property, equipment and leasehold improvements	664,104	301,933
Expenses of issuing shares	27,887	—
	692,191	341,933
Increase in working capital	1,852,061	330,613
Working capital (deficiency) at beginning of year	(188,459)	(519,072)
Working capital (deficiency) at end of year	\$1,663,602	(\$188,459)

See accompanying notes.



ELKS STORES LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 27, 1973

1. Consolidated financial statements:

The consolidated financial statements include the following:

January 29, 1972—Elks Stores Limited

Kerrigan Clothes Limited

January 27, 1973—Elks Stores Limited

Kerrigan Clothes Limited

Joe Feller Limited (operations since date of acquisition)

On June 1, 1972, the company acquired all of the issued shares of Joe Feller Limited. The following net assets were acquired in the transaction, which was accounted for as a purchase:

Assets other than goodwill at book value:

Current	\$ 1,038,402
Equipment and leasehold	342,427
	<u>1,380,829</u>
	(503,920)

Liabilities at book value	
Excess of net book value of Joe Feller Limited at date of acquisition over purchase consideration (Note 3)	(76,574)
	<u>\$ 800,335</u>

Net assets of Joe Feller Limited acquired

The purchase consideration was as follows:

Cash	\$ 200,000
1st Promissory note, 7%	100,000
2nd Promissory note, 7%	500,335
Total purchase price, at fair value	<u>\$ 800,335</u>

The principal amount of the 1st promissory note is payable on June 1, 1977. This note provides for a right of offset for any receivables of Joe Feller Limited as at June 1, 1972 which prove uncollectible and for undisclosed liabilities, if any, at that date.

The principal amount of the 2nd promissory note is payable \$50,000 annually with an additional amount of \$50,000 payable on February 1, 1973. The balance is payable June 1, 1977.

2. Property, equipment and leasehold improvements:

	Annual rates	Cost	Accumulated Depreciation and Amortization	Net	
				January 27, 1973	January 29, 1972
Land	—	—	—	—	\$ 4,000
Building	5% of declining balance	—	—	—	10,191
Office, warehouse and store, and automotive equipment	1/7 of original cost	\$ 1,273,154	\$ 747,455	\$ 525,699	350,957
Leasehold improvements	Term of lease and option to a maximum of 10 years	1,185,890	381,654	804,236	478,750
		<u>\$ 2,459,044</u>	<u>\$ 1,129,109</u>	<u>\$ 1,329,935</u>	<u>\$ 843,898</u>

The annual rates are designed to write off the assets over their estimated useful life.

3. Other assets:

During the current year, the company charged the following to retained earnings:

Goodwill arising on incorporation of predecessor companies to Elks Stores Limited and related costs

\$ 93,971

Excess of cost of shares of Kerrigan Clothes Limited over net book value at date of acquisition

113,792

Balance, January 29, 1972

207,763

Excess of net book value of Joe Feller Limited at date of acquisition over cost (Note 1)

(76,574)

\$ 131,189

**4. Long-term debt:**

	Total	Current	Long-term
Promissory note, 9% (due May 15, 1973)	\$ 27,500	\$ 27,500	—
Promissory note, 7% (Note 1)	100,000	—	100,000
Promissory note, 7% (Note 1)	471,168	100,000	371,168
Promissory note, 2% above prime bank rate	33,334	33,334	—
	<u>\$632,002</u>	<u>\$160,834</u>	<u>\$471,168</u>

5. Capital stock:

Authorized:

(a) January 29, 1972:

10,000 non-cumulative, first preference shares, redeemable at par value of \$1 each
400 non-cumulative, non-voting, second preference shares, redeemable at par value of \$100 each
10,000 Common shares without par value

(b) January 27, 1973:

By Articles of Amendment dated September 13, and September 14, 1972 the company's charter was varied to reclassify and subdivide the unissued first preference shares and the unissued second preference shares and to subdivide the issued common shares so that the authorized capital consisted of 2,000,000 common shares without par value of which 545,000 were issued.

Issued:

	Common		First Preference	
	Number	Amount	Number	Amount
As at January 29, 1972	200	\$ 6,100	200	\$ 200
Redeemed at par, September 11, 1972	—	—	(200)	(200)
	200	\$ 6,100	—	\$ —
Subdivision, September 14, 1972	545,000	\$ 6,100	—	\$ —
Issued for cash, October 30, 1972	195,000	1,316,250	—	—
Balance, January 27, 1973	<u>740,000</u>	<u>\$1,322,350</u>	—	\$ —

Employee stock option plan:

The company has set aside 37,000 common shares for its employee stock option plan. To date, the company has granted options under this plan on 27,100 common shares exercisable at the price of \$7.50 per share over the next ten years.

6. Remuneration of directors and senior officers:

The aggregate direct remuneration for the year paid or payable to directors and senior officers amounts to \$107,933.

7. Long-term lease obligations:

Minimum annual rentals under long-term leases, the longest of which expires in 1998, amount to approximately \$850,000.

8. Earnings per share:

Earnings per share figures were calculated using the weighted daily average of shares outstanding (after subdivision) during the respective year. No dilution in earnings per share would result from the exercise of employee stock options.

9. Bank loan:

Subsequent to the balance sheet date, accounts receivable were pledged as collateral for the bank loan.



ELKS STORES LIMITED

Opened Prior to January 27/73

EIK's 1342 Queen Street West, Toronto 3, Ontario.
EIK's 1957 Weston Road, Weston, Ontario.
EIK's WHITE SHIELD PLAZA/2300 Lawrence Ave. E. Scarborough.
EIK's EASTOWN PLAZA/2662 Eglinton Ave. E., Scarborough.
EIK's BRAMPTON MALL/Highway #10. Brampton.
EIK's YORK PLAZA/1611 Wilson Avenue, Downsview.
EIK's OAK QUEEN MALL/7th Line, Oakville.
EIK's BAYVIEW VILLAGE SHOPPING CENTRE/Bayview & Sheppard, Willowdale.
EIK's RICHMOND HEIGHTS SHOPPING CENTRE/Richmond Hill.
EIK's DUFFERIN PLAZA/Dufferin Street, Toronto 4.
EIK's REXDALE PLAZA/2267 Islington Avenue North, Rexdale.
*EIK's GOLDEN MILE PLAZA/Eglinton Ave. E. & Victoria Park Ave., Scarborough.
EIK's CEDARBRAE PLAZA/3499 Lawrence Avenue E., Scarborough.
EIK's NORTH PARK PLAZA/1383 Lawrence Avenue W., Toronto 13.
EIK's SHOPPERS WORLD PLAZA/3003 Danforth Ave. E., Toronto 13.
EIK's TOWNE & COUNTRY SQUARE/Yonge & Steeles, Willowdale.
EIK's FAIRVIEW PARK SHOPPING CENTRE/Fairway Road, Kitchener.
EIK's 32 MacDonnell Street, Guelph.
EIK's JANE & FINCH MALL/3947 Jane Street, Downsview.
EIK's BURLINGTON MALL/777 Guelph Line, Burlington.
EIK's SHOPPERS WORLD (BRAMPTON)/499 Main St. South, Brampton.
EIK's 167 North Christina Street, Sarnia.
EIK's LAMBTON MALL/1380 London Road, Sarnia.
EIK's UNIVERSITY SHOPPING CENTRE/Dundas.
EIK's DEVONSHIRE MALL/3100 Howard Avenue, Windsor.
EIK's FAIRVIEW MALL/Woodbine & Sheppard, Willowdale.
EIK's SHOPPERS WORLD (ETOBIKOE)/Albion Rd. & Kipling Ave., Rexdale.
EIK's HARWOOD PLACE/Harwood Ave., Ajax.
EIK's QUEENSTON MALL/686 Queenston Road, Stoney Creek.
EIK's SHERWAY GARDENS/25 the West Mall, Etobicoke.
EIK's HOPEDALE SHOPPING CENTRE/3rd Line & Rebecca, Oakville.
EIK's QUINTE MALL/390 North Front Street, Belleville.
EIK's KINGSTON SHOPPING CENTRE/1040-1096 Princess St., Kingston.
Hampton's, DON MILLS SHOPPING CENTRE/Don Mills, Ont.
Hampton's/80 Richmond St. W., Toronto.
Gray's Dept. Stores Ltd./1407 Ottawa St., Windsor 14.
*EIK's CRANG PLAZA/Jane & Wilson, Downsview.
EIK's SHERIDAN MALL/Liverpool Road & Hwy. #2, Pickering.
Joe Feller Limited/139 Rideau Street, Ottawa.
Joe Feller Limited/ST. LAURENT SHOPPING CENTRE, Ottawa.
Joe Feller Limited/GALERIES DE HULL, Hull, Quebec.

Opened January 27, 1973 to May 20, 1973

EIK's UNIVERSITY MALL/Tecumseh Road, Windsor.
EIK's TECUMSEH MALL/Tecumseh Road, Windsor.
EIK's WESTMOUNT MALL/London, Ontario.
EIK's BRAMALEA CITY CENTRE/Hwy. #7 & Dixie Road, Bramalea.
EIK's EASTGATE SQUARE/Centennial Pkwy. North, Stoney Creek.
EIK's SCARBOROUGH TOWN CENTRE/Scarborough.

Among Those to be Opened Before End of 1973

Joe Feller Limited/BAYSHORE SHOPPING CENTRE/Ottawa.
Joe Feller Limited/CARREFOUR DE L'ESTRIE/Sherbrooke, Quebec.
Joe Feller Limited/CAVENDISH MALL/Cote St. Luc, Quebec.
EIK's GEORGIAN MALL/Barrie, Ont.
EIK's MISSISSAUGA CITY CENTRE/Mississauga, Ontario.
Hampton's BURLINGTON MALL/Burlington, Ontario.

AR79

ELKS STORES LIMITED

Manuel Elkind
PRESIDENT

June 13th, 1973.

Mr. I Carman,
Editor, Report on Business,
Globe & Mail,
140 King Street West,
TORONTO, Ontario.

Dear Mr. Carman:

I would like to extend a personal invitation to you--and through you, to others on staff who may be interested--to attend the first annual meeting of Elks Stores Limited as a public company.

The meeting will be held at United Trust Company amphitheatre, 21 St. Clair Avenue East on Monday, June 18th, 1973 at 10.00 a.m.

I'd be very pleased if you would make yourself known to me before or after the meeting.

Yours very truly,





AR79

LADIES AND GENTLEMEN:

THE PURPOSE OF THIS MEETING...WHICH IS LEGALLY CONSTITUTED TO REVIEW THE ACTIVITIES OF OUR COMPANY DURING THE FISCAL YEAR ENDING JANUARY 27, 1973, IS TO SOME EXTENT DEALING WITH HISTORY.

YOU RECEIVED OUR FIRST ANNUAL REPORT AS A PUBLIC COMPANY...SOME WEEKS AGO. I DON'T INTEND TO REVIEW THAT REPORT, AS IT SPEAKS FOR ITSELF.

WHAT I WANT TO DO NOW IS TO BRING THAT REPORT ALIVE...TO TELL YOU WHY I AM SO PROUD AND ENTHUSIASTIC ABOUT WHAT WE HAVE DONE AT ELKS...AND HOW I VIEW THE FUTURE GROWTH OF "OUR COMPANY".

DURING THE LAST 12 MONTHS, ELKS STORES LIMITED HAS OPENED 1 ELKS STORE, 2 HARRY NO-NAME STORES, A SECOND HAMPTONS STORE, AND WE HAVE ACQUIRED THE 2 STORE OPERATION OF JOE FELLER LIMITED... (A LEADING OTTAWA MEN'S CLOTHING RETAILER), AND WE HAVE ALSO OPENED ANOTHER JOE FELLER STORE IN HULL, QUEBEC.

WE HAVE...JUST RECENTLY...MOVED INTO EXPANDED AND MODERNIZED HEAD OFFICE FACILITIES, AND RESTRUCTURED OUR MANAGEMENT TEAM. I WOULD LIKE TO EMPHASIZE AT THIS TIME, THAT YOUR HEAD OFFICE NUCLEUS IS NOT AN UNWIELDY ONE...BUT CONSISTS OF A NUMBER OF MOST CAPABLE AND DEDICATED PEOPLE WHO CAN MAKE DECISIONS QUICKLY, GIVING US THE STRENGTH AND RESOURCES FOR GROWTH, AND THE FLEXIBILITY TO REACT QUICKLY TO CHANGING TRENDS, ALWAYS OFFERING THE MERCHANDISING NEEDS DEMANDED BY THE CONSUMER.

THE COMPANY...WITHIN THE FISCAL YEAR ENDING 1972, HAS OPERATED 155,950 SQUARE FEET OF SELLING SPACE...AND IN THE YEAR JUST ENDED JANUARY 27, 1973, THIS WAS INCREASED TO 186,734 SQUARE FEET...
AND IN THIS CURRENT YEAR ENDING JANUARY 1974...THERE WILL BE 238,255 SQUARE FEET OF MERCHANDISING SPACE...ALMOST DOUBLE THAT OF 1972.

238,255
186,734

WE ARE MOVING WELL AHEAD OF OUR PLANNED EXPANSION...AND THIS SHOULD INDICATE IN THE NEXT ANNUAL REPORT...A GREATER VOLUME OF BUSINESS AS WELL AS HIGHER NET PROFITS.

155,950

I ASSUME THAT YOU HAVE ALL READ THE ANNUAL REPORT. YOU'VE HEARD ABOUT OUR VARIOUS STORES. BUT I WANT TO MAKE YOU UNDERSTAND WHY EACH OF OUR OPERATIONS IS IMPORTANT...HOW THEY COMPLIMENT ONE ANOTHER, AND HOW THEY HAVE CONTRIBUTED TO MAKING ELKS STORES LIMITED WHAT IT IS TODAY...BECAUSE BY PUTTING ALL OF THESE INGREDIENTS TOGETHER...WE HAVE THE OUTLETS TO EXPAND AND SATISFY THE TOTAL SPECTRUM OF THE EVER GROWING MEN'S FASHION MARKET AT ALL PRICE LEVELS, AND UNDER ONE CONTROL AT OUR HEAD OFFICE.

NEW

LET'S TAKE A QUICK RUN THROUGH THE DIVIONS...WE HAVE CREATED A NEW DIVISION OF ELKS CALLED HAMPTONS. THE FIRST STORE WAS OPENED IN DON MILLS CENTRE IN 1972...AND A SECOND STORE WAS RECENTLY OPENED ON RICHMOND STREET IN DOWNTOWN TORONTO.

QUITE APART FROM THE PROFITABILITY OF THIS UPPER-INCOME MARKET OPERATION...THERE ARE MANY ADVANTAGES COMPLIMENTARY TO THE OVERALL COMPANY.

CONCURRENTLY...WE CREATED HARRY NO-NAME WHICH NOW OPERATES 2 GIANT WAREHOUSE TYPE CLOTHING OUTLETS...ALTHOUGH THE ELKS STORES ARE A GROWING PROMOTIONAL CHAIN OF FASHION STORES FOR MEN OF ALL AGES...WE REALIZED THAT IT WAS ALSO NECESSARY TO HAVE A DISCOUNT OPERATION TO APPEAL TO A CERTAIN CLASS OF BUYER.

JOE FELLER STORES LIMITED WAS A MOST IMPORTANT ACQUISITION FOR ELKS. NOT ONLY DID IT GIVE US 2 SUCCESSFUL STORES IN THE OTTAWA AREA, BUT IT ALSO GAVE US ADDITIONAL TOP MANAGEMENT AND A SPRINGBOARD INTO THE EXTREMELY LUCRATIVE, BUT AS YET RELATIVELY UNTAPPED FRENCH SPEAKING MARKET. THE JOE FELLER COMPANY HAS PROVEN THEIR EXPERTISE IN APPEALING TO THIS MARKET, AND THE THIRD JOE FELLER STORE OPENED IN HULL, QUEBEC IN OCTOBER OF 1972, HAS BEEN A GREAT SUCCESS... MORE JOE FELLER STORES WILL BE OPENED IN THE PROVINCE OF QUEBEC, AND POSSIBLY IN EASTERN CANADA.

BY WHAT I HAVE SAID UP TO THIS POINT, YOU CAN SEE THAT OUR OUTLETS ARE DIVERSIFIED ALL WITHIN OUR OWN INDUSTRY...AND GEOGRAPHICALLY POSITIONED TO CATER TO EVERY SEGMENT OF THE MARKET.

THE PRINCIPAL POINT BEING THAT WITH OUR FLEXIBILITY, AND WITH THE COUNTRY'S NORMAL REACTION TO CYCLICAL TRENDS WITHIN THE ECONOMY...

WE ARE ABLE TO MOVE QUICKLY ENOUGH TO TAKE ADVANTAGE OF SITUATIONS WHICH EXIST EVEN WHEN THE ECONOMY MAY POSSIBLY BE AT A WEAK POINT.

THE VARIED GEOGRAPHIC LOCATIONS OF EACH AND EVERY ONE OF OUR STORES PROVIDES ENOUGH COVERAGE SO THAT OUR COMPANY WILL NOT BE EFFECTED BY THE ECONOMIC CONDITIONS OF ANY ONE PARTICULAR AREA.

OUR CONFIDENCE TO ACHIEVE OUR GOALS IS REFLECTED IN OUR EXPANSION PROGRAM. SINCE FEBRUARY 1ST, 1973, WE HAVE OPENED 6 NEW STORES...

ALL OF WHICH, I MIGHT ADD, HAVE ACHIEVED PLANNED SALES FIGURES.

~~sent in~~ 6 MORE STORES WILL BE OPENED THIS FALL. THIS MEANS THAT YOUR COMPANY WILL HAVE OPENED A TOTAL OF 8 ELKS STORES... 3 JOE FELLER STORES, AND 1 HAMPTONS STORE IN OUR CURRENT FISCAL YEAR ENDING JANUARY, 1974.

THIS GEOGRAPHIC DOMINANCE ENABLES US TO MAKE MOST EFFECTIVE USE OF OUR DOLLARS... AS WELL AS SAFEGUARDING US AGAINST THE CHANGING NATURE OF TRADING AREAS. OUR LEASING STRATEGY IS STILL TO FOLLOW OUR SUCCESSFUL FORMULA OF PRIME LOCATIONS IN MAJOR ENCLOSED SHOPPING CENTRES... AS WELL AS URBAN CENTRES. YOUR COMPANY'S INTEREST IN THE ACQUISITION OF EXISTING RETAIL BUSINESSES IS IN NO WAY MINIMIZED, NOR IS IT LIMITED TO ONTARIO OR QUEBEC.

OUR SALES TO THE END OF APRIL WERE \$2,900,292...APPROXIMATELY \$700,000 AHEAD OF SALES FOR THE SAME PERIOD A YEAR PREVIOUS. NET PROFITS IN THE FIRST QUARTER WERE \$68,830...EQUIVALENT TO 9.3 CENTS PER SHARE...COMPARED WITH PROFITS IN THE FIRST QUARTER OF THE LAST FISCAL YEAR OF \$25,650...OR 4.7 CENTS PER SHARE.

A MORE DETAILED BREAKDOWN OF THE FIRST QUARTER HAS BEEN MAILED TO YOU. AS A FOOTNOTE TO THESE RESULTS, I WOULD LIKE TO MAKE THIS OBSERVATION.

THE FIRST QUARTER MONTHS...FEBRUARY, MARCH, AND APRIL ARE TRADITIONALLY THE SLOWEST MONTHS OF THE SALES YEAR IN MEN'S RETAILING.

IN THE ANNUAL REPORT...I USED THE FIGURE 30% AS OUR ANTICIPATED INCREASE IN SALES VOLUME PERFORMANCE FOR THE CURRENT YEAR AS A WHOLE. ON THE BASIS OF THAT SALES TARGET, WE ARE PERFORMING ALMOST EXACTLY AS WE HAD ANTICIPATED, AND IF ANYTHING...WE WERE A LITTLE CONSERVATIVE.

NONE OF THIS WOULD BE POSSIBLE, HOWEVER, WITHOUT RESOURCEFUL TOP MANAGEMENT. I PERSONALLY, AND THE PEOPLE AROUND ME...ARE COMMITTED TO SEEING ELKS GROW IN A MEANINGFUL...AND SUBSTANTIAL WAY...INTO A GREAT CANADIAN COMPANY. WE HAVE BUILT AN EXPERT AND DYNAMIC MANAGEMENT TEAM.

THE OPPORTUNITIES...FORTUNATELY...ARE HERE IN THIS COUNTRY... WE ARE THE PEOPLE WILLING AND ABLE TO TAKE ADVANTAGE OF THESE OPPORTUNITIES...AND THAT IS WHAT WE ARE GOING TO DO!

OUR ANNUAL REPORT STATES CLEARLY OUR FINANCIAL FACTS...HOWEVER, I WOULD LIKE TO TAKE A FEW MINUTES OF YOUR TIME TO SHOW YOU WHAT MAKES ELKS A LIVING, BREATHING, VITAL ORGANIZATION... THE PEOPLE...THE PLANNING...THE RESULTS.

SLIDES

AFTER THE SLIDES

I THANK YOU ALL FOR TAKING THE TIME TO BE HERE TODAY. I HOPE THAT YOU HAVE GAINED SOMETHING FROM THIS MEETING, AND THAT I HAVE BEEN OF SOME HELP IN PRESENTING TO YOU A TRUE PICTURE OF ELKS, AND WHAT ELKS WILL BE. IT IS SIGNIFICANT TO SAY THAT RETAILING IS A SOLID GROWTH INDUSTRY...ONE THAT IS NOT HERE TODAY AND GONE TOMORROW.,, BUT ONE WHICH HAS A STEADY GROWTH PATTERN BECAUSE OF THE NEEDS OF THE CONSUMER, AND THEIR EVER INCREASING INTEREST IN DRESSING UP, AND THIS OF COURSE, MUST BE FILLED BY RETAILING.

YOU MAY CONTACT ME PERSONALLY AT ANY TIME TO TALK ABOUT ELKS... AND EVERYTHING TO DO WITH OUR COMPANY, PRESENT AND FUTURE. WE WILL ALWAYS WELCOME YOUR PARTICIPATION.

I MUST ALSO EXPRESS MY APPRECIATION TO OUR GROWING FAMILY OF SHAREHOLDERS FOR THEIR SUPPORT AND THEIR CONFIDENCE, AS WELL AS THE MEN AND WOMEN WHO HAVE CONTRIBUTED SO SIGNIFICANTLY TO OUR SUCCESS.

THANK YOU

